

MINUTES
ALABAMA REAL ESTATE APPRAISERS BOARD
RSA UNION BUILDING
100 NORTH UNION STREET
SUITE 370
MONTGOMERY, ALABAMA
April 19, 2002

MEMBERS PRESENT:

Mr. Kenneth Keener
Mr. Ronald Parker
Mr. Steve Martin
Mr. Chester Mallory
Mr. Wilder H. Cheney
Mrs. Jane Mardis
Mr. Otis Stewart, Jr.

MEMBERS ABSENT:

Mr. R.L. Farmer, Jr.
Mr. Gary Carter

OTHERS PRESENT:

Mr. J.W. Holland, Jr.
Mrs. Lisa Brooks
Ms. Neva Conway
Ms. Kathryn Bentley

GUESTS PRESENT:

Mr. Mike Shanahan

- 1.0 With quorum present Mr. Parker, Chairman called the meeting to order at 9:10 a.m. The meeting was held at the RSA Union Building, 100 N. Union Street, 3rd. Floor Conference Room, Montgomery, Alabama.
- 1.1 The meeting was opened with prayer by Mr. Martin and then the Pledge of Allegiance.
- 2.0 Members present were Mr. Ronald Parker, Mr. Steve Martin, Mr. Wilder H. Cheney, Mr. Chester Mallory, Mr. Ken Keener, Mrs. Jane Mardis and Mr. Otis Stewart, Jr. Members absent were Mr. Gary Carter and Mr. R.L. Farmer, Jr. At this time Mr. Parker welcomed our guest.
- 3.0 On motion by Mr. Cheney and second by Mr. Keener the regular minutes for March 15, 2002 were approved as written. All in favor, motion carried.

- 3.2 Ms. Conway informed the Board the Knight case is pending in Clarke County. Ms. Conway traveled to Clarke County on March 26, 2002 for a motions docket, briefs have been filed.
- 4.0 Ms. Conway informed the Board our proposed legislation HB400 never went to the Senate Committee agenda; Representative Grantland could not get this Bill on the Special Order Calendar because the House stalled.
- 5.0 On motion by Mr. Keener and second by Mrs. Mardis the following applications were voted on as listed. All in favor, motion carried.
- 5.1 **Trainee Real Property Appraiser applications approved:** Robert Arnold, Valerie Askew, Kevin A. Ballard, Michael T. Brown (Recip.)(GA), Alan Higginbotham, Owen A. Tidwell, Glenn D. Walls, Willie D. Young.
- 5.2 **State Registered Real Property Appraiser application deferred:** Mr. Larry W. Humber.
- 5.3 **Licensed Real Property Appraiser application approved:** William W. Brown, David N. Kilgore. **Application denied:** Charles R. Summey.
- 5.4 **Certified Residential Real Property Appraiser applications approved:** Charles K. Brothers, Robert L. Meador, Jr., Jennifer K. Spears. **Applications deferred:** Wardlaw M. Watson, Jr., Keith B. Webb.
- 5.5 **Certified General Real Property Appraiser applications approved:** Stephen D. Collins, Gregory P. Eidson (Recip.)(GA), Cone M. Maddox (Recip.)(GA), David J. Widdoss (Recip.)(OH).
- Mr. Mallory discussed our agency doing background checks on all applicants. Ms. Conway informed Mr. Mallory she has checked into this and would follow-up.
- 6.0 Mr. Mallory gave financial report informing the Board that we were 50% into the fiscal year and 48% into budget expenditures. Mr. Holland stated at this time there were no negative trends, which could not be reconciled. On motion by Mr. Keener and second by Mrs. Mardis the Board voted to accept the financial report as read. All in favor, motion carried.
- 6.1 On motion by Mr. Keener and second by Mr. Martin the following education courses and instructor recommendations were approved or denied as indicated:

APPRAISAL INSTITUTE - CHICAGO

(C.E.) On-Line Overview of Real Estate Appraisal Principles – 7 Hours
(Approved Instructor: Alan Simmons)

(C.E.) On-Line Course 320: General Applications – 39 Hours
(Approved Instructor: Arnold Schwartz)

- (C.E.) On-Line Introduction to GIS Applications for R.E. Appraisers –
7 Hours
(Approved Instructor: Christopher Miner)
- (C.E.) General Demonstration Appraisal Report Writing Seminar –
7 Hours
(Approved Instructors: Stephen Mantonis & Roscoe Shiplett)
- (C.E.) Mark to Market – The Next FIRREA? – 2 Hours
(Approved Instructors: Charles Kelly & Emma Rhodes)

IAAO

- (C.E.) Course 151 – Standards of Practice & Professional Ethics –
18.5 Hours
(Approved Instructor: Ben Abrams)

SHOALS SCHOOL OF BUSINESS

- (C.E.) Communicating the Residential Appraisal – 24 Hours
(Approved Instructor: David S. McFall)
- (C.E.) Residential Sales Comparison Approach – 24 Hours
(Approved Instructor: David S. McFall)
- (C.E.) Understanding Limited Appraisals & Appraisal Reporting
Options – 24 Hours
(Approved Instructor: David S. McFall)

Mr. Mallory asked Mr. Holland if any of the Real Estate Commission approved courses could be used for our approved education. Mr. Holland indicated that the past Boards voted not to give our appraisers credit for Real Estate courses. Mr. Holland stated the Real Estate Commission did give their realtors/appraisers credit for some of our courses. Mr. Mallory asked that we check to see if any of our courses and the Real Estate Commission courses was similar in nature and report back to the Board.

6.2

The Board reviewed the following disciplinary report, which was included in their Board books. On March 15, 2002, a Certified Residential Real Property Appraiser signed a Consent Settlement Order in connection with the appraisal of a single-family residential property. Terms of the Consent Settlement Order include a private reprimand, a \$300 administrative fine and successful completion of a Board approved 15-hour USPAP course with exam. The discrepancies identified in the appraisal report are detailed as follows: Licensee failed to report property condition as required by the supplemental standards applicable to the assignment; Licensee relied on a previous inspection of the subject property and did not have sufficient current information to accurately report property condition; Licensee's rebuttal letter to the client reported an estimate of value without complying with USPAP Standards Rule 2-2(b); Licensee reported the square footage as 1,421 s/f and failed to report the upstairs bedroom in the January 28, 2000 report; Licensee failed to identify the scope of

work necessary to complete the assignment; Licensee failed to identify the purpose of the assignment; Licensee failed to analyze a sale of the subject property that closed three months prior to the subject appraisal report; Licensee failed to report the technique or method for the development of the site value in the report or in the submitted work file. The following USPAP Standards (2000 Ed.) were violated: 1-2(c), 1-2(e), 1-2(f), 1-4(b)(i), 1-5(b), 2-1(a), 2-2(b), and 2-2(b)(iii). Also violated was §34-27A-20(a)(7), Code of Alabama, 1975.

On March 15, 2002, a Trainee Real Property Appraiser signed a Consent Settlement Order in connection with the appraisal of a single-family residential property. Terms of the Consent Settlement Order include a private reprimand, a \$475 administrative fine and successful completion of a Board approved 15-hour USPAP course with exam. The discrepancies identified in the appraisal report are detailed as follows: Licensee failed to provide descriptive narrative in support of the significant difference between the actual age and estimated effective age of the subject property; Licensee failed to provide a correct summary statement explaining the methodology used to estimate physical depreciation for the subject property in the Cost Approach; Licensee estimate physical depreciation for the subject property in the Cost Approach; Licensee failed to value the site by an appropriate method or technique; Licensee failed to disclose the existence of a railroad track located parallel to the rear property line of the subject property; Licensee failed to address the potential negative effect upon value in the Cost Approach and Sales Comparison Approach attributable to the external influence of the railroad track; Licensee failed to accurately analyze and report the sales history of the subject property; Licensee failed to accurately analyze the current Agreement of Sale and to disclose to seller paid closing cost and the second mortgage obtained by the seller as sales concessions; Licensee failed to retain copies of all appraisal reports on the subject property as submitted to each client. The following USPAP Standards (2000 Ed.) were violated: 1-1(b), 1-3(a), 1-4(a), 1-4(b)(i), 1-4(b)(iii), 1-5(a), 1-5(b)(i), 2-1(b), 2-2(b)(ix) and the Ethics Rule-Record Keeping.

On March 15, 2002, a Certified Residential Real Property Appraiser signed a Consent Settlement Order in connection with the appraisal of a single-family residential property. Terms of the Consent Settlement Order include a private reprimand, a \$575 administrative fine and successful completion of a Board approved Sales Comparison course with exam. The discrepancies identified in the appraisal report are detailed as follows: Licensee failed to disclose the intended use of the appraisal and failed to describe the scope of the appraisal process; Licensee failed to provide descriptive narrative in support of the significant difference between the actual age and estimated effective age of the subject property; Licensee failed to provide a correct summary statement explaining the methodology used to estimate physical depreciation for the subject property in the Cost Approach; Licensee failed to value the site by an appropriate method or technique; Licensee failed to summarize the information considered and the reasoning that supported his analysis, opinions, and conclusions expressed in the Sales Comparison Analysis; The report contained no meaningful reconciliation summary in support of the Sales Comparison Approach Value conclusion and insufficient explanation and support for the adjustments applied in the Sales Comparison Approach analysis grid; Licensee failed to disclose the existence of a railroad track located across the road from the subject property and

the regional airport down the road from the subject property; Licensee failed to address the potential negative effect upon value in the Cost Approach and Sales Comparison Approach attributable to the external influence of the railroad track and municipal airport; Licensee failed to describe and analyze an existing sales contract on the subject property or alternatively failed to explain why the terms and conditions of the pending contract could not be disclosed; Licensee's disclosure of Comp #2 as a one-story dwelling with 10 acres of land instead of a two-story dwelling with a one acre home site, failure to disclose the location of the railroad track across the road and/or the municipal airport located one mile down the road from the subject property, the utilization of comparables outside of the subject neighborhood, the utilization of the storage room as part of the living area of the subject property, the value given for a new roof needed by the subject property when the subject report was completed as a "as is" report not a "subject to" report, and the inconsistent adjustments made and/or omitted in the Sales Comparison Approach with no explanation resulted in the communication of a misleading appraisal report. The following USPAP Standards (1999 Ed.) were violated: 1-1(a), 1-3(a), 1-4(a), 1-4(b)(i), 1-4(b)(iii), 1-5(a), 2-1(a), 2-1(b), 2-2(b)(ii), 2-2(b)(vii), 2-2(b)(ix), 2-2(b)(xi) and the Competency Rule. Also violated was §34-27A-20(a)(7), Code of Alabama, 1975.

On March 15, 2002, a Licensed Real Property Appraiser signed a Consent Settlement Order in connection with the appraisal of a single-family residential property. Terms of the Consent Settlement Order include a private reprimand, a \$525 administrative fine and successful completion of a Board approved 15-hour USPAP course with exam. The discrepancies identified in the appraisal report are detailed as follows: Licensee failed to disclose the intended use of the appraisal and failed to describe the scope of the appraisal process; Licensee failed to include the required license number on the subject appraisal report or client letter; Licensee failed to provide a meaningful reconciliation summary in support of the final value conclusion; Licensee failed to perform a subdivision analysis of the property and failed to consider a discount for an absorption period to allow the sale of the lots over time; Licensee incorrectly estimated the value of the whole by adding together values of the various component parts of the property; Licensee performed a complex appraisal of property with a transaction value exceeding his License limitation; Licensee failed to disclose his lack of knowledge in performing complex appraisals and failed to obtain assistance from someone with knowledge to perform the subject appraisal competently. The following USPAP Standards (1997 Ed.) were violated: 1-1(a), 1-1(b), 1-4(e), 1-5(c), 2-1(a), 2-1(b), 2-2(b)(iii), 2-2(b)(vi), 2-2(b)(viii) and the Competency Provision. Also violated was §34-27A-17(b) and §34-27A-9(a)(3), Code of Alabama, 1975.

On March 15, 2002, Penny Lofton (T00684), a Trainee Real Property Appraiser signed a Voluntary Revocation Consent Order while under investigation for a complaint related to an appraisal of residential property. Licensee agreed to surrender her license to the Alabama Real Estate Appraisers Board in lieu of formal charges being issued by the Board. Terms of the Order stipulate that the licensee will be eligible to apply for reinstatement of her license after the expiration of a period of two years from the date the Board received possession of her license.

On March 15, 2002, a Licensed Real Property Appraiser signed a Consent Settlement Order in connection with the appraisal of a single-family residential property. Terms of the Consent Settlement Order include a private reprimand; a \$875 administrative fine; and successful completion of a Board approved 15-hour USPAP course with exam, a 15-hour Sales Comparison Approach course with exam, a 15-hour Cost Approach course with exam, and a 30-hour Appraisal of Residential Properties course with exam. The discrepancies identified in the appraisal report are detailed as follows: Licensee failed to provide a complete description of the neighborhood boundaries and the description of market conditions within the subject neighborhood consisted of a boilerplate statement that contained no meaningful data summarizing market conditions prevailing in the subject neighborhood at the time of the appraisal; Licensee provided a misleading description of the Subject's physical condition and characteristics as follows: The subject had an actual age of 90+ years and the effective age was estimated in the report at 4-5 years. There was no information in the report or work file to explain or support the significant difference between the actual age and the estimated effective age. Licensee failed to identify the account for functional obsolescence attributable to the location of the single bathroom, which could only be accessed through the kitchen; Licensee developed and reported a Cost Approach that was inflated and misleading as follows; Failure to explain methodology employed to estimate the Site Value estimate. Failure to retain or provide market data or other documentation in support of the Site Value. The indicated Reproduction (Replacement) Cost new for the subject dwelling is higher than the base cost indicated by the data source referenced in the report. Failure to explain and justify a "Lump Sum" figure of \$13,500 added to the Base Cost of the dwelling. Applied an unreasonable low rate of physical depreciation (10%) to the Subject which was a 90+-year-old dwelling with no evidence or documentation of any significant rehabilitation or remodeling having occurred. Failure to account for functional obsolescence attributable to the unconventional location of and access to the dwelling's only bathroom. Unsupported figure of \$5,000 for "As-Is" Value of Site Improvements; In the Sales Comparison Approach, Licensee failed to utilize comparable sales that were truly representative of the subject property; Numerous comparable sales that were available in the immediate neighborhood were overlooked in favor of three properties that were substantially superior in Location, Site Value, Design and Appeal, Quality of Construction, and Condition the all three sales were incorrectly and misleadingly equated with the Subject; Licensee failed to adequately research and describe the comparable sales used in the report. The errors and omissions noted are as follows; Sale #1 was reported to have sold for \$230,000-the correct sales price as shown in MLS and verified with the listing agent was \$190,000. Failure to describe and adjust for a fenced rear yard for Sale #1. Sale #1 was described as having central heat and window units for cooling-the property had central heating and cooling as described in MLS. Failure to report and adjust Sale #3 for a rear deck and fenced rear yard; Licensee failed to apply the Income Approach in appraising the subject property and failed to provide explanation or justification for its omission from the appraisal process. The subject property was purchased for investment purposes and was tenant-occupied at the time of appraisal. Attached to the appraisal report was an Operating Income Statement for a One to Four Family Investment Property, a Single-Family Comparable Rent Schedule, and a copy of a current Residential Lease on the subject property; Licensee's development and communication of the

subject appraisal was misleading and biased in favor of the subject as evidenced by the misrepresentations of the Subject's physical characteristics (condition/effective age and functional utility/bathroom location); the inflated Cost Approach value conclusion unsupported by referenced data sources, unrealistically low physical depreciation, and unsupported Site Value estimate; and the use of substantially superior sales to the exclusion of numerous sales in closer proximity to the Subject that were more closely representative of the Subject's physical and economic characteristics. The following USPAP Standards (1999 Ed.) were violated: 1-1(a), 1-1(b), 1-1(c), 1-3(a), 1-4(a), 1-4(b)(i), 1-4(b)(iii), 1-4(c), 2-1(a), 2-1(b), 2-2(b)(iii), 2-2(b)(ix), 2-2(b)(xi), Ethics Rule-Conduct, and the Competency Rule. Also violated was §34-27A-20(a)(7), Code of Alabama, 1975.

Mr. Holland discussed with the Board the investigative status charts. Mr. Holland once again commended the investigative staff for the good work in their progress toward cleaning up the cases.

- 6.2.1 The Board reviewed Probable Cause Report AB-00-54. On motion by Mr. Martin and second by Mrs. Mardis the Board found that probable cause did exist and to proceed with formal investigation. All in favor, motion carried.

Board reviewed Probable Cause Report AB-00-68. On motion by Mr. Keener and second by Mr. Martin the Board found that probable cause did exist and voted to proceed with a formal investigation. All in favor, motion carried.

Board reviewed Probable Cause Reports AB-00-88. On motion by Mr. Cheney and second by Mrs. Mardis the Board found that probable cause did exist and voted to proceed with a formal investigation. All in favor, motion carried.

Board reviewed Probable Cause Report AB-01-43. On motion by Mrs. Mardis and second by Mr. Martin the Board found that probable cause did exist and voted to proceed with a formal investigation. All in favor, motion carried.

Board reviewed Probable Cause Report AB-01-44. On motion by Mr. Mallory and second Mrs. Mardis the Board found that probable cause did exist and voted to proceed with a formal investigation. All in favor, motion carried.

Board reviewed Probable Cause Report AB-01-49 & AB-01-50 (Companion Cases). On motion by Mr. Martin and second by Mr. Keener the Board found that probable cause did exist and voted to proceed with a formal investigation. All in favor, motion carried.

Board reviewed Probable Cause Report AB-01-65 & AB-01-66 (Companion Cases). On motion by Mr. Martin and second by Mr. Keener the Board found that probable cause did not exist and voted to dismiss. All in favor, motion carried.

Board reviewed Probable Cause Report AB-01-98. On motion by Mr. Mallory and second by Mr. Cheney the Board found that probable cause did exist and voted to proceed with formal investigation. All in favor, motion carried.

Board reviewed Probable Cause Report AB-02-06. On motion by Mr. Martin and second by Mr. Keener the Board found that probable cause did exist and voted to proceed with formal investigation. All in favor, motion carried.

Board reviewed Probable Cause Report AB-02-08. On motion by Mrs. Mardis and second by Mr. Cheney the Board found that probable cause did exist and voted to proceed with formal investigation. All in favor, motion carried.

Board reviewed Probable Cause Report AB-02-11. On motion by Mr. Keener and second by Mr. Martin the Board found that probable cause did exist and voted to proceed with formal investigation. All in favor, motion carried.

Board reviewed Probable Cause Report AB-02-16. On motion by Mr. Cheney and second Mr. Keener the Board found that probable cause did exist and voted to proceed with formal investigation. All in favor, motion carried.

Board reviewed Probable Cause Reports AB-02-17 & AB-02-18, which is a Board, initiated complaint. On motion by Mr. Martin and second by Mr. Keener the Board found that probable cause did exist and voted to proceed with formal investigation. All in favor, motion carried.

Board reviewed AB-02-19, which is a request for a Board initiated complaint. On motion by Mr. Martin and second by Mr. Keener, the Board voted to initiate an investigation in AB-02-19. All in favor, motion carried. Board reviewed information and submitted on AB-02-19 and on motion by Mr. Martin and second by Mr. Keener, the Board found that there is probable cause to proceed with disciplinary actions. All in favor, motion carried. After further review and on staff recommendation that a Letter of Warning be issued to the licensee in AB-02-19, on motion by Mr. Martin and second by Ms. Mardis, the Board voted to approve the issuance of a Letter of Warning to the Licensee in AB-02-19. All in favor, motion carried.

6.2.2 No anonymous complaints reported at this time.

6.2.3 Board reviewed Consent Settlement Order on AB-00-67. On motion by Mr. Mallory and second by Mr. Martin Board voted to accept the Consent Settlement Order as written. All in favor, motion carried.

Board reviewed Voluntary Revocation Consent Order on AB-01-25 and AB-01-27. On motion by Mr. Cheney and second by Mr. Martin Board voted to accept Voluntary Revocation Consent Order as written. All in favor, motion carried.

Board reviewed request from Mr. Barry Brackin for a time extension to finish completing a 40-hour Fundamentals course. On motion by Mr. Martin and second by Mr. Cheney the Board voted to give Mr. Brackin an extension until April 30, 2002. All in favor, motion carried.

Board reviewed request from Mr. Charles Higgins for a time extension to complete the 15-hour Income Approach course to comply with the Consent

Settlement Order on AB-98-32. On motion by Mr. Cheney and second by Mrs. Mardis the Board voted to give Mr. Higgins a 90 days extension. All in favor, motion carried.

- 6.3 No reciprocal agreements to report since last meeting.
- 6.4 The following reciprocal licenses were issued since last Board meeting: Michael T. Brown (GA)(T), Gregory P. Eidson (GA)(G), David J. Widdoss (OH)(G).
- 7.0 The temporary permit report was provided to the Board for their information.
- 8.0 The Board discussed the revisions of the Trainee/Supervisor Policy. It was decided that no more revisions would be needed and it was ready to be put in our next newsletter to include a section for responses to be emailed to the office. The Board also suggested that this policy be entered on our agency website.

Mr. Holland discussed the upcoming AARO Conference in Seattle, Washington on April 27-30, 2002. Those attending will be Mr. Mallory, Mrs. Mardis, Ms. Conway and Mr. Hollyfield.

Mr. Holland informed the Board that Mrs. Beth Johnson our Education Coordinator has now left to be a full-time mom but her replacement Miriam Young would be starting on April 23, 2002.

Mr. Holland informed the Board that Ms. Jennifer Henderson had her surgery, is doing great and going to try and come back to work the week of April 29, 2002 and work until her next surgery which is on May 22, 2002.

Mr. Holland welcomed new investigator, Kathryn Bentley and informed the Board that she was doing an excellent job.

Mr. Holland informed the Board that he and Mrs. Brooks met with Mr. Wyn McInnis and Mrs. Faye Boyd with ISD Information Services to discuss the possibility of on-line renewal services for our agency. The meeting went really well and the prospects are very good for agency to go to on-line renewals in the very near future.

The Board discussed at length experience points for subdivisions. On motion by Mr. Cheney and second by Mr. Keener the Board voted to give 5 points for 12 or less buildable lots and 7 points for 12 or more lots. All in favor, motion carried.

The Board discussed our Manufactured Housing policy again to determine if any changes needed to be made at this time. It was decided by the Board to leave the policy as is.

Disciplinary Hearing

2:00 p.m. – Mark Bryant (T)

The next meeting will be tentatively set for May 17, 2002.

9.0 Meeting adjourned at 5:20 p.m.

Sincerely,

Lisa Brooks
Executive Secretary

Lb

APPROVED: _____
Ronald Parker, Chairman